

a statement that the owner is a resident of Switzerland, or is a Swiss corporation, not having a permanent establishment in the United States.

Form 1001A-S must be filed for each three-calendar-year period, and the first such form filed by the taxpayer with any withholding agent shall be filed not later than 20 days preceding the date of the first payment of income in such period. If the taxpayer files such form with the withholding agent in the calendar year 1951, or in any subsequent calendar year, no additional Form 1001A-S need be filed prior to the end of the two calendar years immediately following the calendar year in which such form is so filed unless the Commissioner of Internal Revenue notifies the withholding agent that an additional Form 1001A-S must be filed by the taxpayer at any earlier date. If, after filing such form, the taxpayer ceases to be eligible for the benefit of the convention, he must promptly notify the withholding agent. When any change occurs in the ownership of record of the income on the books of the payor, the reduction in the rate of United States tax will no longer apply unless Form 1001A-S is duly executed and filed with the payor by the new owner of record of such income.

The duplicate of Form 1001A-S must be immediately forwarded by the withholding agent to the Commissioner of Internal Revenue, Records Division, Washington 25, D.C.

In the case of interest paid on or after January 1, 1951, by any foreign corporation to a nonresident alien who is a resident of Switzerland or to a Swiss corporation, not having a permanent establishment in the United States, no withholding of United States tax is required. See Article XIV of the convention.

§ 509.4 Patent and copyright royalties and film rentals.

Royalties and other amounts received in taxable years beginning on or after January 1, 1951, from sources within the United States by a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) who is a resident of Switzerland or by a Swiss corporation, as consideration for the right to use copy-

rights, artistic and scientific works, patents, designs, plans, secret processes and formulae, trade-marks, and other like property and rights (including rentals and like payments in respect to motion picture films or for the use of industrial, commercial, or scientific equipment), are exempt from United States tax under the provisions of Article VIII of the convention if such alien or corporation at no time during the taxable year in which such royalties or other amounts are received has had a permanent establishment within the United States. Such items are therefore not subject to the withholding provisions of the Internal Revenue Code. As to what constitutes a permanent establishment, see Article II(1)(c) of the convention.

To obviate withholding at the source in the case of such items, the nonresident alien who is a resident of Switzerland or the Swiss corporation shall file Form 1001A-S, in duplicate, with the withholding agent in the United States. The provisions of § 509.3(b) relating to the execution and effective period of such form with respect to interest are equally applicable with respect to the income falling within the scope of this section.

The duplicate of Form 1001A-S must be immediately forwarded by the withholding agent to the Commissioner of Internal Revenue, Records Division, Washington, D.C.

§ 509.5 Pensions and life annuities.

Article XI(2) of the convention provides that private pensions and life annuities derived in taxable years beginning on or after January 1, 1951, from sources within the United States by a nonresident alien individual who is a resident of Switzerland shall be exempt from United States tax.

The person paying such income shall be notified by letter from the resident of Switzerland that the income is exempt from taxation under the provisions of Article XI (2) and (3) or XI (2) and (4), as the case may be, of the convention. Such letter shall contain the address of the individual and a statement that such individual is a resident of Switzerland. The letter of notification, or a copy thereof, shall be immediately forwarded by the recipient to

the Commissioner of Internal Revenue, Records Division, Washington, D.C. Such letter shall constitute authorization to the payor of the income to pay such income without deduction of the tax at the source unless the Commissioner subsequently notifies such payor that the tax should be withheld with respect to payments made after such notification.

§ 509.6 Natural resource royalties and real property rentals.

The convention does not change the rate of tax imposed under existing law upon natural resource royalties and real property rentals. The withholding of the tax with respect to such items derived from sources within the United States by nonresident aliens who are residents of Switzerland and by Swiss corporations is not affected by the convention. See sections 211(a) and 231(a) of the Internal Code and Article IX of the convention.

§ 509.7 Release of excess tax withheld at source.

(a) *General.* In order to bring the convention into force and effect at the earliest practicable date, (1) the reduced rate of tax of 15 percent to be withheld at the source on dividends, (2) the reduced rate of tax of 5 percent to be withheld at the source on interest, and (3) the exemption from tax otherwise withheld at the source on patent royalties, copyright royalties, film rentals, and the like, are hereby made effective beginning January 1, 1951, in any case in which such dividends, interest, patent royalties, copyright royalties, film rentals, and the like, are derived from sources within the United States by a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) who is a resident of Switzerland or by a Swiss corporation.

In the case of every such taxpayer who furnishes to the withholding agent Form 1001A-S, as prescribed in § 509.3(b) or § 509.4, where tax at the rate of 30 percent has been withheld on or after January 1, 1951, there shall be released by the withholding agent and paid over to the person from whom withheld (1) in the case of interest (other than coupon bond interest), an amount equal to 25 percent of such interest, and (2) in

the case of patent royalties, copyright royalties, film rentals, and the like, an amount equal to the tax so withheld.

In the case of every such taxpayer who furnishes to the withholding agent Form 1001-S, in duplicate, where tax at the rate of 28 percent or 30 percent, as the case may be, has been withheld on or after January 1, 1951, from coupon bond interest, there shall be released by the withholding agent and paid over to the person from whom it was withheld an amount equal to 25 percent of such interest. Form 1001-S, clearly marked "Substitute" in order to replace any Forms 1001 previously filed, is to be used solely for such release of excess tax withheld in 1951. One Form 1001-S, in duplicate, may be used to replace two or more Forms 1001 previously filed in such year. The use of Form 1001-S with each presentation of interest coupons for the purpose of securing the reduced rate of tax is set forth in § 509.3(b).

In the case of dividends paid to a nonresident alien (including a nonresident alien individual, fiduciary, and partnership) whose address at the time of payment was in Switzerland, or to a Swiss corporation whose address at the time of payment was in Switzerland, where tax at the rate of 30 percent has been withheld on or after January 1, 1951, from such dividends, there shall be released by the withholding agent and paid over to the person from whom it was withheld an amount equal to 15 percent of such dividends.

(b) *Private pensions and life annuities paid in 1951 or subsequent years.* In order to bring the convention into force and effect at the earliest practicable date, the exemption from tax otherwise withheld at the source on private pensions and life annuities is hereby made effective beginning January 1, 1951, in any case in which such pensions and life annuities are derived from sources within the United States by a nonresident alien individual who is a resident of Switzerland.

The person paying such income shall be notified by letter from the resident of Switzerland that the income is exempt from taxation under the provisions of Article XI (2) and (3), or XI (2) and (4), as the case may be, of the convention. See § 509.5. Such letter shall